

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2020-4-G - ORDER NO. 2020-733

OCTOBER 28, 2020

IN RE: Annual Review of Purchased Gas	) ORDER RULING ON
Adjustment and Gas Purchasing Policies of	) PURCHASED GAS
Piedmont Natural Gas Company, Inc.	) ADJUSTMENT AND GAS
	) PURCHASING POLICIES

This matter comes before the Public Service Commission of South Carolina (“Commission”) by way of its required annual review<sup>1</sup> of the Purchased Gas Adjustment (“PGA”) and gas purchasing policies of Piedmont Natural Gas Company, Inc. (“Piedmont” or “Company”). The South Carolina Office of Regulatory Staff (“ORS”) is automatically a party of record to this Docket pursuant to S.C. Code Ann. §§ 58-4-10(B) (Supp. 2019). Pursuant to S. C. Code Ann. § 37-6-604(C) (Supp. 2019), the South Carolina Department of Consumer Affairs (“Consumer Affairs”) was provided notice of this Docket; however, Consumer Affairs did not intervene or participate. Piedmont and ORS (collectively the “Parties” or individually a “Party”) entered into a settlement agreement (“Settlement Agreement”) which was filed with the Commission on June 30, 2020, and attached as Order Exhibit No. 1.<sup>2</sup>

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<sup>1</sup> See Commission Order No. 88-294, dated April 6, 1988, in Docket Nos. 1983-126-G and 1986-217-G (annual review) requiring the Commission’s annual review of purchased gas adjustment and the gas purchasing policies of Piedmont Natural Gas Company, Inc.

<sup>2</sup> Hearing Exhibit No. 1.

Due to public health concerns and the COVID-19 pandemic, the Commission conducted the scheduled hearing in this matter virtually on July 9, 2020, beginning at 10:00 a.m. with the Honorable Comer H. Randall, Chairman, presiding in the Commission's hearing room located at 101 Executive Center Drive in Columbia, South Carolina, with the Honorable Florence P. Belser, the Honorable Thomas J. "Tom" Ervin, the Honorable G. O'Neal Hamilton, the Honorable John E. "Butch" Howard, and the Honorable Swain E. Whitfield present or in attendance. The Honorable Justin T. Williams was on military leave. C. Lessie Hammonds, Esquire and Jeffrey M. Nelson, Esquire appeared on behalf of ORS. Melinda L. McGrath, Esquire and T. Richmond McPherson, III, Esquire appeared on behalf of Piedmont.

At the hearing, and upon the motion of ORS with the consent of Piedmont, the Commission accepted into the record as Hearing Exhibit No. 1 the Settlement Agreement between Piedmont and ORS. The Commission further accepted into the record as evidence the pre-filed direct testimony and exhibits of Piedmont witness MaryBeth Tomlinson, the pre-filed settlement testimony of MaryBeth Tomlinson, the pre-filed direct testimony of Piedmont witness Todd Breece, and the pre-filed direct testimony and exhibits of Piedmont witness Jeffrey Patton. The pre-filed direct testimony of ORS witness Michael Seaman-Huynh and the pre-filed direct testimony and exhibits of ORS witness Daniel Sullivan were also accepted into the record as evidence by the Commission following summaries presented by the sworn testimony from each witness.

The Commission accepted into evidence Piedmont witness Tomlinson's exhibits (MBT 1-2) as Composite Hearing Exhibit No. 2. Piedmont witness Patton's exhibits

(JCP 1-7), corrections to pages 3, 4, and 5 of witness Patton's pre-filed direct testimony, and corrections to Exhibit JCP-5C were admitted into evidence as Composite Hearing Exhibit No. 3. ORS witness Sullivan's exhibits (DSF 1-3) were admitted into evidence as Composite Hearing Exhibit No. 4.

At the hearing, Piedmont witness Tomlinson testified to the end-of-period balances and the accounting for Piedmont's deferred gas cost account (Account #253.133) in order for the Commission to determine whether or not Piedmont's true-up procedures for the Review Period of April 1, 2019, through March 31, 2020, resulted in a properly stated cost of gas, as well as whether Piedmont's gas costs are properly recorded in compliance with Piedmont's Gas Cost Recovery Mechanism and Hedging Plan. *Tomlinson Direct Testimony, p. 2, ln. 9–16.* That accounting is set out in Composite Hearing Exhibit No. 2, which is Exhibit\_MBT-1 and Exhibit\_MBT-2 attached to the pre-filed testimony of MaryBeth Tomlinson. Exhibit\_MBT-1 is a summary of the Review Period activity reviewed by ORS' audit staff as part of their annual audit of Piedmont's gas costs each month, the amount of gas costs recovered each month, and amounts deferred each month. *Tomlinson Direct Testimony, p. 2, ln. 19 – p. 3, ln. 3.* Exhibit\_MBT-2 is a summary of the hedging account which was reviewed by the ORS audit staff and this summary records the results of Piedmont's hedging activities undertaken in accordance with its hedging plan during the Review Period. *Tomlinson Direct Testimony, p. 3, ln. 5-13.* When questioned by the Commissioners, Piedmont witness Tomlinson testified and explained that the significant variations of more than one million dollars to the ratepayers beginning in December 2019 through March 2020 in the

Weather Normalization Adjustment (WNA) (see Exhibit MBT-1 of Hearing Exhibit No. 2) is a result of warmer than normal weather during that time period.

During the hearing, Piedmont witness Todd Breece testified as to Piedmont's gas purchasing policies and the components of the "best cost" gas purchasing policy. *Breece Direct Testimony, p. 2-5.* Witness Breece stated that PNG did not implement any changes in its "best cost" gas purchasing policies or practices during April 1, 2019, through March 31, 2020 (the "Review Period"). *Breece Direct Testimony, p. 14, ln. 7-8.* Witness Breece also testified that PNG has taken numerous measures to manage its gas costs consistent with its "best cost policy" including active participation at the Federal Energy Regulatory Commission ("FERC"), restructuring of supply and capacity contracts to adjust to market conditions, and the promotion of more efficient peak day use of natural gas and load growth from "year-round" markets in order to improve Piedmont's load factor and reduce average unit costs. *Breece Direct Testimony, p. 16, ln. 18 – p. 15, ln. 10.* He added that the "best cost" purchasing policy utilized by PNG has been reviewed and found prudent on all occasions in South Carolina and the other jurisdictions in which PNG operates. *Breece Direct Testimony, p. 17, ln. 12 – p. 18, ln. 3.*

Piedmont witness Jeffrey Patton testified that Piedmont serves approximately 151,812 customers in South Carolina and that during the Review Period, PNG delivered 65,476,084 dekatherms ("dts") of natural gas to its South Carolina customers. *Patton Direct Testimony, p. 3, ln. 4-6.* Witness Patton also explained the calculation of Piedmont customer growth and design day needs and the process utilized by Piedmont to acquire new capacity. *Patton Direct Testimony, p. 3, ln. 22 – p. 4, ln. 4.* According to

Piedmont, it calculates the design day needs of its system based on a number of factors and inputs, including historical weather, historical operating experience, forecasted customer additions, and projected demand. *Patton Direct Testimony, p. 4, ln. 5 – p. 5, ln. 2; See Exhibits JCP-1A, JCP-1B and JCP-2.* PNG states that it then calculates a reserve margin to ensure its ability to provide safe and reliable service to its firm customer base during design-day conditions. *Patton Direct Testimony, p. 10, ln. 19 – p. 20, ln. 6.*

ORS witness Seaman-Huynh testified that Piedmont had adequate firm supplies to meet its firm customer requirements; is continuing its attempts to get the best terms available in its negotiations with suppliers; has been active in relevant Federal Energy Regulatory Commission (FERC) proceedings; and managed its hedging activities in a manner consistent with the terms of its approved hedging program during the Review Period. *Seaman-Huynh Direct Testimony, p. 4, ln. 3-7.* ORS witness Seaman-Huynh further testified about Piedmont's purchasing practices following the review and examination by ORS which included review of its hedging program, the administration of Piedmont's approved Gas Cost Review Mechanism ("GCRM"), and Piedmont's capacity and supply capabilities for the upcoming winter. *Seaman-Huynh Direct Testimony, p. 2, ln. 9-14.* Piedmont's purchasing practices consist of contracts with several interstate pipeline companies for transportation capacity, storage service, and liquefied natural gas ("LNG") peaking service. Piedmont also purchases commodity supply from producers and marketers to both meet the needs of its firm customers on a peak design day, as well as to meet the annual usage requirements of all its customers. *Seaman-Huynh Direct Testimony, p. 2, ln. 18-22.* ORS witness Seaman-Huynh further testified that Piedmont

had firm customers send out capacity capability available for the Fiscal Year 2020 Firm Design Day. *Seaman-Huynh Direct Testimony, p. 3, ln. 1-2.* He also testified that Piedmont's contracted capacity and supply capabilities are sufficient to meet the requirements of its firm customers. *Seaman-Huynh Direct Testimony, p. 3, ln. 16 – 23.* Additionally, ORS witness Seaman-Huynh testified that Piedmont meets the requirements of its customers and uses a "best cost" gas purchasing policy. *Seaman-Huynh Direct Testimony, p. 4, ln. 3-12.*

ORS witness Seaman-Huynh discussed the examination of Piedmont's hedging program and testified that Piedmont operated its hedging activities in compliance with the Commission approved hedging program and has no recommendations to change Piedmont's current hedging program. *Seaman-Huynh Direct Testimony, p. 4, ln. 13 – p. 5, ln. 12.* ORS reviewed and examined Piedmont's forecasted Firm Design Day requirement for the upcoming 2020-2021 winter season and the measures that Piedmont is taking to ensure the reliability of the capacity and supplies. *Seaman-Huynh Direct Testimony, p. 5, ln. 16-18.* ORS witness Seaman-Huynh testified that ORS's review determined that Piedmont has taken steps to secure firm capacity and supply for future demand on its system and that these steps include contracting with interstate pipelines for capacity on their systems, acquiring storage capacity, enhancing their LNG capabilities, and negotiating contracts with suppliers. *Seaman-Huynh Direct Testimony, p. 5, ln. 18-21.* ORS does recommend that Piedmont continue its practice of monitoring its firm transportation, storage, supply and LNG capabilities based upon its forecasted firm demand and continuing changes in the natural gas industry for future planning periods.

*Seaman-Huynh Direct Testimony*, p. 6, ln. 6-8. The current Benchmark Commodity Cost of Gas, GCRM-151, included in Piedmont's rates is \$2.00 per dekatherm, which became effective with the first billing cycle of January 2020. *Seaman-Huynh Direct Testimony*, p. 7, ln. 6-9. ORS witness Seaman-Huynh testified that ORS did not recommend any change to the Benchmark Commodity Cost of Gas and that Piedmont correctly administered its GCRM-151 during the Review Period. *Id.*

ORS witness Sullivan testified that, under his supervision, ORS performed a review of Piedmont's purchased gas deferred account, storage inventory activity, and hedging account activity for the Review Period. *Sullivan Direct Testimony*, p. 2, ln. 8-19; *see Audit Exhibit DFS-1, DFS-2 and DFS-3*. He also explained in detail the components that comprised Piedmont's (over)/under collect in the purchased gas deferred account. *Sullivan Direct Testimony*, p. 3, ln. 21 – p. 7, ln. 9; *see Audit Exhibit DFS-1*.

ORS verified the calculation of ending inventory balances and the injections and withdrawals to the daily storage activity worksheets for each facility. *Sullivan Direct Testimony*, p. 7, ln. 10 – p. 9, ln. 2; *see Audit Exhibit DFS-2*. He also testified that the cumulative loss at the end of the Review Period for the hedging program is \$42,309,937. *Sullivan Direct Testimony*, p. 9, ln. 3-15; *see Audit Exhibit DFS-3*. Based upon that examination, ORS witness Sullivan testified ORS was of the opinion that the over collection balance in the purchased gas deferred account at March 31, 2020, of (\$1,450,387), shown on Piedmont witness Tomlinson's Exhibit MBT-1 is accurately stated. *Sullivan Direct Testimony*, p. 9, ln. 18-20.

The parties present Piedmont witness Tomlinson to provide testimony concerning the Settlement Agreement. Piedmont witness Tomlinson testified that, following extensive review, examination, and discussions between Piedmont and the ORS, both parties agreed to each of the matters stipulated in the Settlement Agreement. *Tomlinson Settlement Testimony*, p. 2, ln. 6-16. The Settlement Agreement is offered by all parties as a fair, reasonable, and full resolution of all issues in this proceeding as signified by all parties being signatories to the Settlement Agreement. *Id.* Piedmont witness Tomlinson requests that the Commission approve the Settlement Agreement. *Tomlinson Settlement Testimony*, p. 2, ln. 19-20.

The Settlement Agreement reflects that the Parties mutually agree that: (1) Piedmont's gas purchasing policies and practices during the Review Period were reasonable and prudent; (2) Piedmont properly adhered to the gas recovery provisions of its gas tariff and relevant Commission Orders during the Review Period; (3) Piedmont managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission Orders; and (4) the end-of-period balances for Piedmont's hedging and deferred gas cost accounts are those reflected in the pre-filed direct testimony of Piedmont witness Tomlinson. *Tomlinson Settlement Testimony*, p. 1 ln. 18 – p. 2, ln. 5.

### **FINDINGS AND CONCLUSIONS**

NOW, THEREFORE, based upon the foregoing, the Commission finds and concludes that:



1. The pre-filed direct testimony of Piedmont witness Todd Breece, the pre-filed direct testimony and exhibits of Piedmont witness Jeffrey Patton, and the pre-filed direct testimony, exhibits, and settlement testimony of Piedmont witness MaryBeth Tomlinson are accepted into the record by the Commission without objection from any party or person.

2. The pre-filed direct testimony and exhibits of ORS witness Daniel Sullivan and the pre-filed direct testimony of Michael Seaman-Huynh are accepted into the record by the Commission without objection from any party or person.

3. The Settlement Agreement is accepted into the record and incorporated into and made part of this Order by reference as Order Exhibit No. 1.

4. Based upon the testimony and exhibits presented at the hearing of this matter, the Settlement Agreement is found to be in the public interest and constitutes a reasonable resolution of the issues in this proceeding.

5. The Commission finds and determines that Piedmont's gas purchasing policies and practices during the Review Period of April 1, 2019, through March 31, 2020, are reasonable and prudent.

6. The Commission finds and determines that Piedmont properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period of April 1, 2019, through March 31, 2020.

7. The Commission finds and determines that Piedmont managed its hedging program during the Review Period of April 1, 2019, through March 31, 2020, in a reasonable and prudent manner consistent with Commission orders.

8. The Commission finds and determines that the end-of-period balances for Piedmont's deferred gas cost account and Piedmont's hedging account activity during the Review Period of April 1, 2019, through March 31, 2020, are those reflected in the testimony of Piedmont's Witness Tomlinson and of ORS witness Sullivan.

### **ORDERING PROVISIONS**

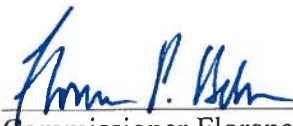
#### **IT IS HEREBY ORDERED THAT:**

1. Piedmont, as required by Order No. 1988-294, has undergone the annual review of its purchased gas adjustment and its gas purchasing policies for the period of April 1, 2019, through March 31, 2020.
2. Piedmont filed its regular reports as required by Order No. 2002-223 on the status of its hedging program and the results of its hedging activities for the period of April 1, 2019, through March 31, 2020.
3. This Commission concludes that the Settlement Agreement (Order Exhibit No. 1) signed by the Parties and accepted into the record without objection is in the public interest and constitutes a reasonable resolution of the issues in this proceeding.
4. Piedmont's gas purchasing policies and practices during the Review Period were with the guidelines established in prior Commission orders and are reasonable and prudent.
5. The appropriate cost of gas calculations for the Review Period are set forth in Order Exhibit No. 1.

6. The end-of-period balances for Piedmont's deferred gas cost account and Piedmont's hedging account activity during the Review Period are accurately reflected in the testimony of Piedmont's Witness Tomlinson and of ORS witness Sullivan.

7. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



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Commissioner Florence P. Belser  
Vice Chair  
Public Service Commission  
of South Carolina



ORDER EXHIBIT  
NO. 1

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2020-4-G**

June <sup>29</sup>~~2~~ 2020

IN RE: Annual Review of Purchased Gas Adjustment )  
and Gas Purchasing Policies of Piedmont ) **SETTLEMENT AGREEMENT**  
Natural Gas Company, Inc. )

This Settlement Agreement is made by and between the South Carolina Office of Regulatory Staff ("ORS") and Piedmont Natural Gas Company, Inc. ("Piedmont" or "the Company") (collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, by Order No. 88-294, dated April 6, 1988, the Public Service Commission of South Carolina ("Commission") instituted an annual review of Piedmont's Purchased Gas Adjustment and Gas Purchasing Policies. Additionally, in Order No. 2002-223, dated March 26, 2002, in Docket No. 2001-410-G, the Commission required Piedmont to file regular reports on the status of its hedging program ("Hedging Plan") and the results of its hedging activities.

WHEREAS, the review period for the above-captioned docket is April 1, 2019 through March 31, 2020 ("Review Period");

WHEREAS, the Parties to this Settlement Agreement are the only parties of record in the above-captioned docket. There are no other parties of record in this proceeding;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of this proceeding would be in their best interests and in the public interest;

WHEREAS, following those discussions the Parties each determined that their interests and the public interest would be best served by settling the above-captioned proceeding under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony of Piedmont witness Todd Breece and the pre-filed direct testimony and exhibits of Piedmont witnesses Jeff Patton and MaryBeth Tomlinson without objection, change, amendment, or cross-examination by the Parties unless such is mutually agreed upon. The Company will present its witnesses at the hearing (to be conducted virtually per the Commission's June 5, 2020 *Order On The Scheduling Of Future Virtual Hearings And Other Related Events* in Docket No. 2020-106-A) and MaryBeth Tomlinson will testify in support of this Settlement Agreement.

2. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony and exhibits of ORS witness Daniel F. Sullivan and the pre-filed direct testimony of ORS witness Michael L. Seaman-Huynh without objection, change, amendment, or cross-examination by the Parties unless such is mutually agreed upon. ORS will present its witnesses at the hearing.

3. The Parties further agree that with the stipulated testimony of record and the agreement of the Parties regarding the Review Period activity and end-of-period account balances, the hearing record before the Commission will demonstrate the following: (i) Piedmont's gas purchasing policies and practices during the Review Period were reasonable and prudent; (ii) Piedmont properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period; (iii) Piedmont managed its Hedging Plan during the Review Period in a reasonable and prudent manner consistent with Commission orders; and

(iv) the end-of-period balance for Piedmont's deferred gas cost account and Piedmont's hedging account activity during the review period are reflected in the pre-filed direct testimony and exhibits of Piedmont witness MaryBeth Tomlinson.

4. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable, and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

5. The Parties agree that the act of signing this Settlement Agreement will not constrain, inhibit, or impair their arguments or positions in future proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

6. This Settlement Agreement shall be interpreted according to South Carolina law.

7. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the Settlement Agreement.

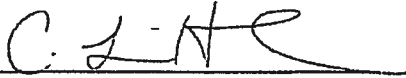
8. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any Party.

9. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

**[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]**

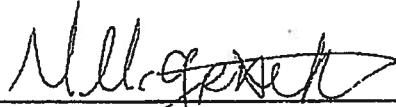


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